

Independent Auditor's Report

RSM Nelson Wheeler

羅申美會計師行

Certified Public Accountants

TO THE SHAREHOLDERS OF LIFETEC GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of LifeTec Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 83, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as described in the "Basis for qualified opinion" paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for qualified opinion

(1) Scope limitation – Impairment of intangible assets, payments for investments and property, plant and equipment in connection with the Group's biopharmaceutical business

In connection with the Group's biopharmaceutical business, as at 31 December 2006, the Group had intangible assets of HK\$90,471,000 stated in the consolidated balance sheet as at 31 December 2006 relating to beneficial rights to drugs under development not yet available for use as detailed in note 18 to the financial statements; payments for investments representing deposits paid for the acquisition of beneficial rights to drugs under development not yet available for use and the corresponding consultancy fees stated in the consolidated balance sheet as at 31 December 2006 at HK\$56,994,000 and detailed in note 20 to the financial statements; and leasehold improvements and plant and machinery with carrying amounts totaling HK\$32,206,000 acquired for the research and development of the drugs under development by the Group and included in property, plant and equipment shown in the consolidated balance sheet as at 31 December 2006.

We have not been provided with sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the abovementioned intangible assets, payments for investments and property, plant and equipment. There are no other satisfactory audit procedures that we could adopt to determine whether any impairment in value should be made in the financial statements in respect of them. Any adjustments found to be necessary might have consequential effects on the net assets of the Group as at 31 December 2006, the results of the Group for the year then ended and the related disclosures thereof in the financial statements.

(2) Scope limitation – Prior year's audit scope limitation affecting opening balances of intangible assets and payments for investments in connection with the Group's biopharmaceutical business

As detailed in our report dated 27 April 2006 on the financial statements of the Group for the year ended 31 December 2005, we were unable to obtain sufficient information and explanations to assess whether any impairment in value should be recognised in respect of the intangible assets of HK\$65,037,000 and payments for investments of HK\$74,791,000 as stated in the consolidated balance sheet as at 31 December 2005. Any adjustments found to be necessary in respect thereof had we obtained sufficient evidence would have had consequential effects on the net assets of the Group as at 31 December 2005, the results of the Group for the years ended 31 December 2006 and 2005 and the related disclosures thereof in the financial statements.

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Qualified opinion arising from limitation of audit scope

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the opening balances mentioned in point 2 of the "Basis for qualified opinion" paragraphs; and the intangible assets, payments for investments and property, plant and equipment as mentioned in point 1 of the "Basis for qualified opinion" paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong

27 April 2007